



Finance Act 1985

1985 CHAPTER 54

PART IV

OIL TAXATION

90 Limitations on relief for exploration and appraisal expenditure

- (1) With respect to expenditure incurred on or after 19th March 1985, section 5A of the Oil Taxation Act 1975 (allowance of exploration and appraisal expenditure) shall be amended in accordance with subsections (3) to (5) below.
- (2) With respect to expenditure incurred on or after 1st April 1986, in subsection (2) of the said section 5A (the purposes for which expenditure is to be incurred to qualify for relief), for the words "the United Kingdom, the territorial sea thereof", in each place where they occur, there shall be substituted " the territorial sea of the United Kingdom".
- (3) After subsection (2) there shall be inserted the following subsection—

“(2A) Any reference in subsection (2) above to a designated area does not include a sector which, by virtue of subsection (3)(6) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area.”
- (4) In subsection (5) (which modifies the application of certain provisions of section 5 of the Oil Taxation Act 1975 in relation to section 5A) in paragraph (c) (which excludes certain receipts from being taken into account under subsection (6) of section 5 of that Act and thereby prevents the expenditure which qualifies for relief being reduced on account of those receipts) for the words from " does not include " onwards there shall be substituted—

“(i) includes a reference to a sum received, or treated by virtue of subsection (5A) below as received, from the disposal of oil won in the course of operations carried out for any of the purposes in paragraphs (a) to (c) of subsection (2) of this section ; but

Status: This is the original version (as it was originally enacted).

(ii) does not include a reference to a sum received for the assignment of any of the rights conferred by a licence or of any interest in a licensed area”.

(5) After subsection (5) there shall be inserted the following subsections—

“(5A) Subsection (5B) below applies in any case where—

- (a) oil which is won as mentioned in paragraph (c)(i) of subsection (5) above is either disposed of otherwise than in sales at arm's length or appropriated to refining or to any use except for production purposes of an oil field, and
- (b) if that oil had been disposed of in a sale at arm's length, then, by virtue of section 5(6) of this Act as applied by subsection (5) above, certain expenditure would have been reduced by reference to the receipt of a sum from that disposal.

(5B) Where this subsection applies, the oil concerned shall be treated for the purposes of subsection (5)(c)(i) above and section 5(6) of this Act as having been disposed of for a sum equal to its market value at the material time in the calendar month in which it was disposed of or appropriated as mentioned in subsection (5A)(a) above and, accordingly, for those purposes—

- (a) a sum equal to that market value shall be treated as having been received from that disposal; and
- (b) no account shall be taken of any sum actually received from the disposal of any of that oil.

(5C) In the application of Schedule 3 to this Act for the purpose of ascertaining the market value of oil as mentioned in subsection (5B) above,—

- (a) in paragraph 2, in paragraph (c) of sub-paragraph (2) for the words from the beginning to "paragraph in question " there shall be substituted " the contract is for the sale of the whole quantity of oil whose market value falls to be ascertained for the purposes of section 5A(5B) of this Act " ;
- (b) sub-paragraphs (3) and (4) of paragraph 2 shall be omitted; and
- (c) any reference in paragraphs 2 and 2A to oil being relevantly appropriated shall be construed as a reference to its being appropriated as mentioned in subsection (5A)(a) above.”

91 Chargeable periods relevant to limit on tax payable and expenditure supplement

(1) In subsection (1A) of section 9 of the Oil Taxation Act 1975 (the chargeable periods in respect of which the tax payable is limited under that section) in paragraph (b) (chargeable periods after the net profit period), for the words " included in paragraph (a) above " there shall be substituted " which are included in paragraph (a) above and in which the amount of oil won and saved from the field exceeds 1,000 metric tonnes";

and at the end of that subsection there shall be added the words " and for the purposes of paragraph (b) above 1,100 cubic metres of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere shall be counted as equivalent to one metric tonne".

(2) The amendment made by subsection (1) above has effect with respect to any oil field in respect of which the first chargeable period ends after 30th June 1985.

- (3) In section 111 of the Finance Act 1981 (restriction of expenditure supplement by reference to net profit period), in subsection (1) for the words from "in which" onwards there shall be substituted "which is the earliest chargeable period ending after a development decision has been made for the field in which—
- (a) the amount of oil won and saved from the field exceeds 1,000 metric tonnes (counting 1,100 cubic metres of gas at a temperature of 15 degrees centigrade and (pressure of one atmosphere as equivalent to one metric tonne); and
 - (b) a net profit from the field accrues to the participator;

and subsection (7) of section 5A of the principal Act (time when development decision is made) shall apply for the purposes of this subsection as it applies for the purposes of subsection (1)(c) of that section."

- (4) The amendment made by subsection (3) above has effect with respect to chargeable periods ending after 30th June 1985.

92 Qualifying assets: exclusion of land and certain buildings

- (1) In subsection (1) of section 8 of the Oil Taxation Act 1983 (meaning of "qualifying asset") after the word "means" there shall be inserted "subject to subsection (1A) below".
- (2) After subsection (1) of that section there shall be inserted the following subsection—
- “(1A) Notwithstanding anything in subsection (1) above, the following assets are not qualifying assets for the purposes of this Act, namely,—
- (a) land or an interest in land ; and
 - (b) a building or structure which is situated on land and which does not fall within any of sub-paragraphs (i) to (iv) of paragraph (c) of subsection (4) of section 3 of the principal Act.”
- (3) In section 15(3) of the Oil Taxation Act 1983 (interpretation) in the definition of "qualifying asset" for the words "section 8(1)" there shall be substituted "section 8".
- (4) In paragraph 4 of Schedule 2 to that Act (cases where all the oil is exempt gas) at the end of sub-paragraph (2) (modifications of section 8(1)) there shall be inserted the following subparagraph—
- “(2A) In any case where this paragraph applies, paragraph (b) of subsection (1A) of section 8 of this Act shall have effect in relation to the participator as if—
- (a) for the words "does not" there were substituted "would not" ; and
 - (b) at the end there were added the words "even if section 10(2) of the principal Act were disregarded".”
- (5) This section has effect for determining whether any consideration which is received or receivable after 19th March 1985 constitutes tariff receipts or disposal receipts within the meaning of the Oil Taxation Act 1983.